C1859-Y
2/23/89

FEBRUARY 1989
A CAHNERS PUBLICATION

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

SPECIAL:

Report from STAFDA

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

VOL. 78, NO. 2 FEBRUARY 1989 A CAHNERS PUBLICATION

Wes Lively of the Harold E. Smith Co. describes the quality program his company has implemented.

cover photography by Eugene Mopsik

COVER STORY

34 Delivering quality products

Every employee in a distributorship needs to be involved in a successful quality control program. In the first of a two-part special report, *ID* describes how distributors can ensure quality products for their customers. Next month we focus on achieving quality in customer service.

CONVENTIONS

45 Building profits in construction

Here's why members of the Specialty Tools and Fasteners Distributors Assn. had plenty of reason to smile at their recent convention in Miami Beach.

MANAGEMENT

33 Inside Distribution

90 Clifton on Management
Improving your productivity.

SALES & MARKETING

53 Working with customers
Organizing client data helps Holmes Distributors get the most out of inside sales.

57 Strictly for Sales
Giving bingo cards punch.

DISTRIBUTOR'S UPDATE

7 Distribution Briefs
Grainger funds new ID course; Get updated on Just-In-Time; Cardinal to buy Brian Supply.

9 News
A new report reveals how importers are penetrating the U.S. market and offers strategies for limiting import growth; PTDA defeats name change proposal; bolts industry forms new coalition.

31 Letters

58 Calendar
Upcoming events of interest to distributors.

59 Association News

85 Supply Outlook

PROFITABLE IDEAS

61 Computers
An in-depth look at bar codes.

63 Tech Notebook
Hand tool ergonomics

67 Product Spotlight
Head and eye protection

69 New Products for Profit

The latest products from leading suppliers.

79 Literature

87 Advertisers' Index

88 Business Staff

88 Classifieds

NEWS

Study says imports on the rise

ASMMA report reveals how importers penetrate U.S. market; offers strategies for limiting import growth

By ignoring small distributors who generally sell to smaller end users, domestic manufacturers have allowed importers to make significant inroads into the U.S. marketplace during the past ten years.

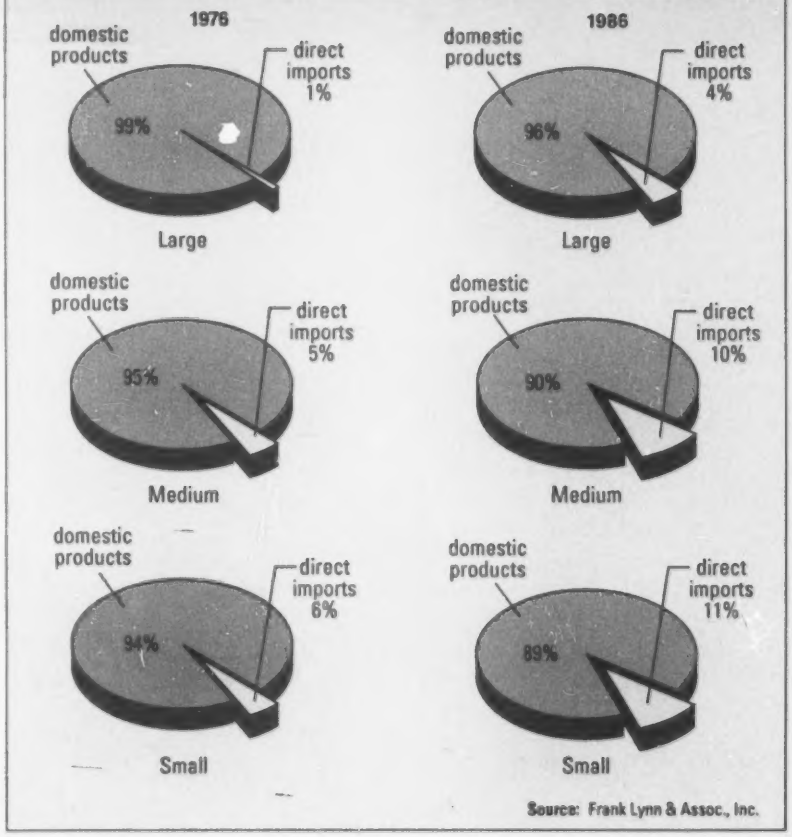
A report released by the American Supply & Machinery Manufacturers' Assn. (ASMMA) says that imports make up more than 50% of the small distributor and catalog house product mix. These companies are normally non-Industrial Distribution Assn. (I.D.A.) companies that focus on small end users.

The report also says that importers have made inroads into I.D.A. houses as well. For example, direct imports doubled during the period 1976 to 1986 at small and medium I.D.A. companies, and showed a four-fold increase at large I.D.A. distributors (see chart).

The research, which was based on interviews with 67 I.D.A. distributors, 30 non-I.D.A. distributors, 15 domestic manufacturers, 5 import manufacturers, 15 industrial end users, and 5 industry experts, was conducted by Chicago-based consultant Frank Lynn & Assoc.

As Charles Stockinger, ASMMA's business manager, notes, the study is primarily an educational document. He says that while imports may have been a more serious issue three years ago when the dollar was high, a turn in the currency rates could change the situation overnight. Says Stockinger, "Our people can't be deceived into thinking that everything's O.K."

DIRECT IMPORTS AS A % OF DISTRIBUTOR SALES
(1976 vs. 1986)



Source: Frank Lynn & Assoc., Inc.

Direct imports represent a higher percentage of sales within small I.D.A. distributorships compared to large I.D.A. distributorships.

So while the statistics that the report discloses are significant, Karl Beide, project manager of the study, maintains that ASMMA members should not become obsessed with the numbers. "The fact is that direct imports, at about 17% of total domestic sales, are still a very small part of the U.S. scene," says Beide. "What's key for ASMMA members at this point is to understand how importers penetrated the U.S. market, and to work with their distributors to counteract the flow of imports."

As Beide explains, importers penetrate U.S. markets by offering the most favorable terms possible to the distributors, manufacturers' representatives and catalog houses that are unable to obtain top-grade domestic lines. Once the importer gains a reputation with small end users through price, performance or product innovation, a process that can take up to ten years, importers are able to attract the high share channels generally covered by I.D.A. members.

The report offers a laundry list of strategies for ASMMA members to work on with their distributors:

- Educate I.D.A. distributors on how to sell small accounts by sponsoring seminars on catalog selling and telemarketing.
- Help support I.D.A. distributors' small account efforts through direct mail and other co-op programs.
- Set up master distributorships to sell to small distributors that focus on small end users.
- Sell through small distributors (non-I.D.A. members) that can provide small end-user coverage.

TODAY'S GLOBAL MARKET

The Frank Lynn report provides much broader information than the conclusion that importers penetrate the U.S. market by tapping the low end of the market. For example, the report says that globalization in other U.S. markets, most notably automobile, electrical and consumer electronics, has paved the way for acceptance of products produced throughout the world in the industrial marketplace.

Because of this, end users today do not view products on an "import vs. domestic" basis but, rather, on a "product vs. product" basis. According to the report, this means that the "Buy American" attitude holds less water when better products are available elsewhere.

It's this last point that Rusty Duncan, a first vice president of I.D.A., is most concerned with. Notes Duncan, "Foreign manufacturers did not make inroads into the U.S. market because of the distribution channel. They did so because they built superior products. The problem I have with this report is that there's too much emphasis on distribution channels, and not enough emphasis on building better products."

The Lynn report does cite specific recommendations, albeit at the end of the study, that manufacturers should follow in order to improve product quality. They are as follows:

50% more reach
than any other 3-ton portable ratchet-lever hoist!
(ANOTHER LUG-ALL EXCLUSIVE)
This winch-hoist stores 15 foot of cable right on the drum for 50% more reach (7½ ft) than comparable chain hoists. Another LUG-ALL exclusive, the telescopic handle, with shear pin warning . . . adds extra safety and convenience. Also available in corrosion-resistant marine grade.
OTHER LUG-ALL MODELS:
1001 APPLICATIONS
Model 6000-15-SH
CORPORATION

- Continually update/modify product offerings to make it difficult for import manufacturers to target voids/niches.
- Establish processes to collect information on new import products by identifying new offshore technologies before they are introduced in the U.S. market.
- Meet or exceed import product offerings in terms of price/performance or differentiation.
- Use imported private-labeled products to fill product line voids until proprietary products are available.
- Continue to invest in research and development to keep abreast of product improvements and new technology. (Import manufacturers spend heavily on research and development, sometimes as much as 9% of sales.)

In the end, R.C. Randlett, vice president of marketing at Milwaukee Electric Tool Corp., puts the Lynn report into perspective. Randlett, whose firm has realized double-digit sales growth every year for the past 10 years except during the recession of 1981-'82, says that companies that maintain a commitment to quality will always be able to compete against importers. Says Randlett, "I agree with the general premise of the Lynn study. But the bottom line for American manufacturers has to be consistently manufacturing and delivering quality products."

The Lynn report is available free to ASMMA members and for $20 to I.D.A. members. For information, call ASMMA at (216) 241-7333. □

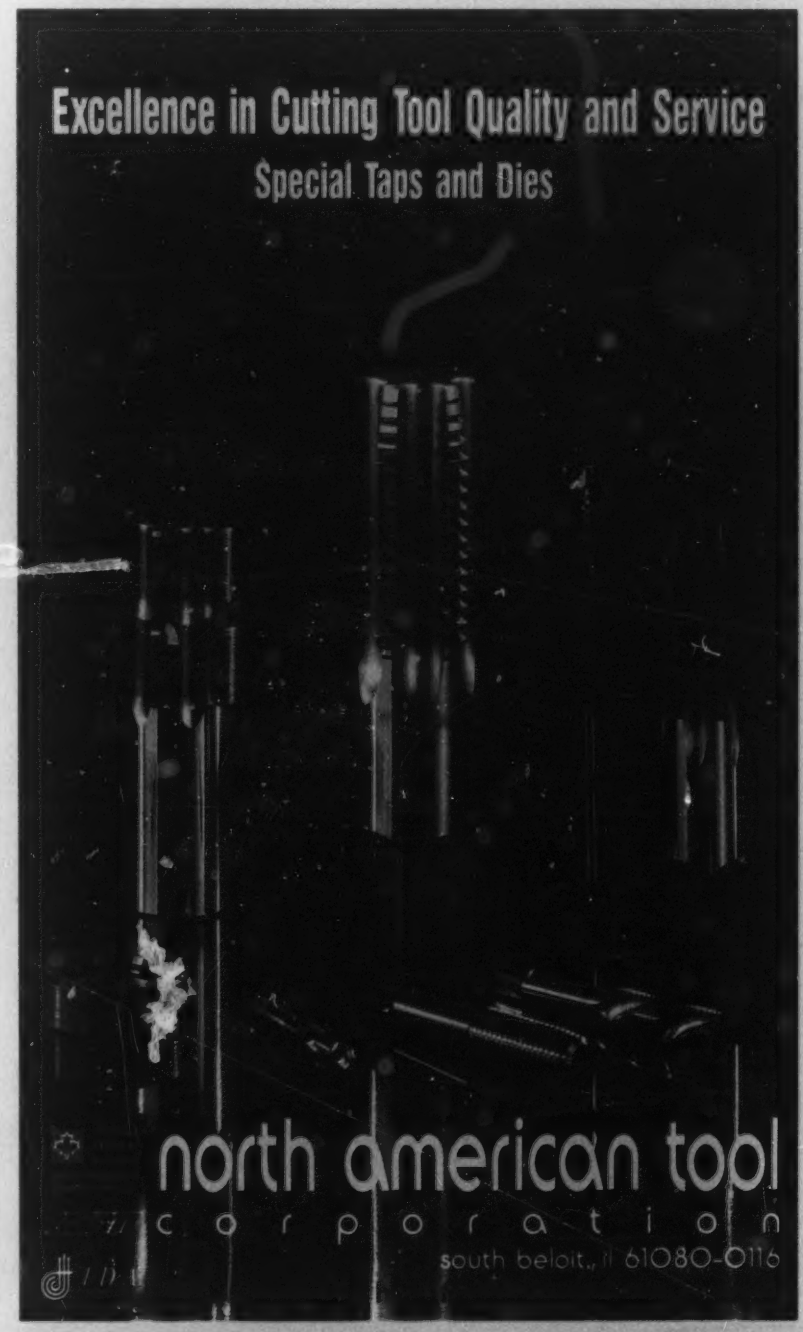
PTDA defeats name change proposal

CHICAGO, IL—The membership of the Power Transmission Distributors Assn. (PTDA) has voted down a proposal to change the association's name to the Industrial Motion Control Distributors Assn.

According to Beate Halligan, PTDA's executive vice president, the vote, with 183 opposing the name change and 45 in favor, was a clear indication that the membership was "not ready" to take such a step.

As Halligan explained, the vote was the culmination of a two-year process in which the leadership studied the name change issue. After careful consideration, PTDA's leadership concluded that many PTDA members sell electrical/electronic and fluid power products along with the more traditional power transmission items. The general consensus among the association's leaders was that the group's name should be changed to reflect the membership's changing business activities.

But the rank and file did not agree. Ed Baxter, executive vice president of Atlanta-based Bearings & Drives, Inc., said that most of the membership believe that the PTDA name is synonomous with the industry and that there's no reason to



association's affairs."

For example, Buffington said that in its policy statement, I.D.A. has made clear that buying or marketing group business may not be conducted while I.D.A. meetings and events are being held. In addition, I.D.A. officials involved in buying or marketing groups are expected to keep a clear separation between their involvement in I.D.A. business and buying group business. I.D.A. has also refused to provide mailing lists to organizers of buying groups.

The one area in which I.D.A. felt it could become directly involved in the debate over buying groups was on the educational front. Buffington said that Kenneth G. Hardy, professor of marketing at the University of Western Ontario and co-author of an article on buying groups published last year in the Harvard Business Review, will speak at both the southern and western regional conventions. In addition, a full panel discussion that will include both manufacturers and distributors is scheduled for the national convention next May in Chicago. □

FPDA members getting the most out of their employees

PHILADELPHIA, PA—By increasing employee productivity, fluid power distributors are attaining higher gross margins than most other segments of industrial distribution.

This was one of the primary conclusions drawn by John D. Pearse, president of Distributor Information Systems Corp. (Farmington, CT), following the release of the *Distributor Productivity Report* by the Fluid Power Distributors Assn. (FPDA).

Pearse, one of the founders of the productivity report, is widely considered one of the industry's leading authorities, particulary when it comes to interpreting statistics.

For example, the report says that despite moderate sales growth of 7.6% for 1987 (down from 10.4% in 1986), FPDA members achieved a return on investment (ROI) of 13.9%. This is high when compared with an Industrial Distribution Assn. average of 6.5%, or even the 9.5% high recorded in 1984 by the Specialty Tools & Fasteners Distributors Assn.

Pearse explained that FPDA members were able to keep ROI at such acceptable levels because gross margin per employee improved, rising from 48.6% in 1983 to 60.9% in 1987 (see chart).

"The significant number is not sales growth or even ROI, because they have been pretty consistent," noted Pearse. "But what is significant is that through automation and capitalizing on a sales force that is generally more technically oriented, FPDA members have increased employee productivity. In my mind this

EASYLINE
Enjoy up to 40% margin with EASYLINE Striping System
FOLLOW THIS LINE
TO BIG PROFITS.
Striping is needed by most of your present customers . . . plus many new ones. And it's easy to sell, thanks to strong demonstrations, colorful literature and displays. Offers great repeat business, too.
· Schools · Shopping Centers · Office Buildings · Hotels, motels
· Warehouses · Industry · Utilities · Hospitals
EASYLINE . . . the name says it all.
To get the full story, call toll-free 1-800-468-0115.
EASYLINE
SITE SAFETY
DIVISION OF HOIT LLOYD CORP.
4647 Hugh Howell Road • Tucker, GA 30084-5096
IN GEORGIA CALL (404) 934-6718

Fluid Power Distributors Trends (1983-1987)

	1983	1984	1985	1986	1987
Return on Investment (%)	5.4	12.7	13.8	12.2	13.9
Net Profit Before Taxes % GM (NBT)	2.6	8.6	8.4	6.7	8.8
Asset Turnover	3.0	3.4	3.3	3.3	3.4
Financial Leverage	2.3	2.1	2.1	2.1	2.3
Sales Growth (%)	0.2	25.4	10.6	10.4	7.6
Payroll % GM (PPR)	61.3	58.7	59.7	60.9	59.5
Inventory Turnover	3.1	3.6	3.5	3.6	4.0
Accounts Receivable	52.9	49.3	49.1	46.1	47.8
Gross Margin %	29.8	29.1	28.8	29.1	29.6
Sales Expense % GM (SER)	43.1	42.5	44.6	45.1	44.7
Gross Margin/Employee ($ thousands)	48.6	54.8	57.9	58.3	60.9
Gross Margin/Invoice ($)	78	84	90	92	91
Interest Expense % GM	4.4	2.9	2.6	2.6	1.8
Current Ratio	3.0	2.0	1.9	2.0	2.1

Source: Fluid Power Distributors Assn.

has kept margins favorable."

Those interested in learning more about the productivity report should call FPDA headquarters at (215) 564-3484. The report costs $100 for members and $150 for non-members. □

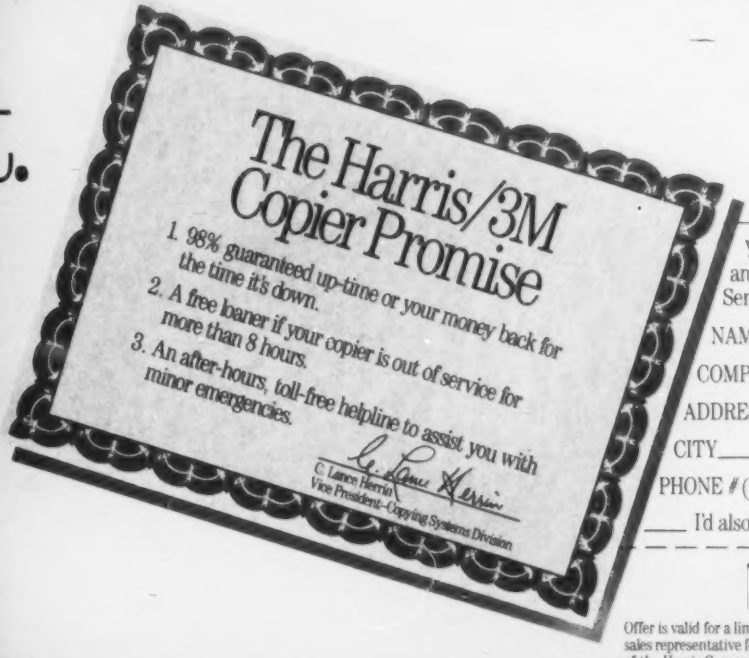
ID's book on selling covers ten key product groups

NEWTON, MA—Need some sales tips? In a new booklet, *Selling the Industrial Market*, the editors of *ID* have compiled a collection of past *ID* articles that offer proven strategies for selling ten vital industrial product groups.

Product categories covered include bearings, belts, cuttings tools and abrasives, fasteners, hand tools, hose, maintenance equipment and supplies, materials handling equipment, power tools, safety equipment, and accessories for those products. To order, send a $25 check to INDUSTRIAL DISTRIBUTION, P.O. Box 37, Boston, MA 02258. For information, call Diane Mercurio at (617) 964-3030, ext 346. □

about customer satisfaction.

it.


The Harris/3M Copier Promise
1. 98% guaranteed up-time or your money back for the time it's down.
2. A free loaner if your copier is out of service for more than 8 hours.
3. An after-hours, toll-free helpline to assist you with minor emergencies.
C. Lance Herrin
Vice President–Copying Systems Division

Yes, I'd like to know more about Harris/3M copiers and the Harris/3M Copier Promise.
Send to Harris/3M, P.O. Box 785, Dayton, OH 45401

NAME_____

COMPANY NAME_____

ADDRESS_____

CITY_____STATE_____ZIP_____

PHONE # ( )_____

____ I'd also like information on your fax machines. CN1288H2

HARRIS/3M

Offer is valid for a limited time and other restrictions and limitations apply; see your Harris/3M sales representative for details. ©1988 Harris/3M Document Products, Inc. Harris is a trademark of the Harris Corporation. 3M is a trademark of the 3M Company.

Winning With Service

During STAFDA's convention in Miami Beach, some members were surprised to learn of their industry's ability to turn a profit. Do they know something general liners don't?

By John G.F. Bonnanzio, Associate Editor

"What really makes a convention worthwhile," says STAFDA's executive director, Morrie Halvorsen, "is when people return to their businesses and implement what they've learned at the show."

To that end, STAFDA distributors appear to be a pretty smart class. For example, during the past 5 years, gross margins for STAFDA members fluctuated between 34.1 and 33.3%. In contrast, according to *ID*'s *Survey of Distributor Operations*, general line houses managed gross margins of only 25% in 1987, 24% in 1986, and 31.2% in 1984. In addition, STAFDA distributors have lower selling expenses, a stronger return on investment, and higher annual sales growth (see box). What these figures don't explain is "why"?

Although a number of explanations exist, most are not measurable and only a few seem plausible. When STAFDA distributors are asked to explain their industry's healthy bottom line, their hypotheses are as varied as they are interesting. Several distributors suggested a relationship between dollar volume and profitability. Others suggested that distributors who service the construction trades, rather than traditional industrial markets, are managed by younger, more aggressive, first-generation owners.

The truth is that STAFDA distributors have at least one formidable advantage over others in distribution. Depending on geography, specialty tools and fasteners distributors earn their bread and butter in a market that is far more robust than the industrial sector—price warfares or not. And although an expansionary market is no guarantee of success, it certainly doesn't hurt.

IMPORTANT DIFFERENCES

According to Frank Williams, a STAFDA director and president of Williams Equipment, "As a group, [STAFDA distributors] can probably provide more hands-on management than general liners because we're smaller and there's less bureaucracy to deal with. We can grab a cash flow problem quicker." Notes the Maryland-based distributor, "We're also out in the field more and, therefore, closer to our customers. In the big picture, that has somehow got to help our bottom line."

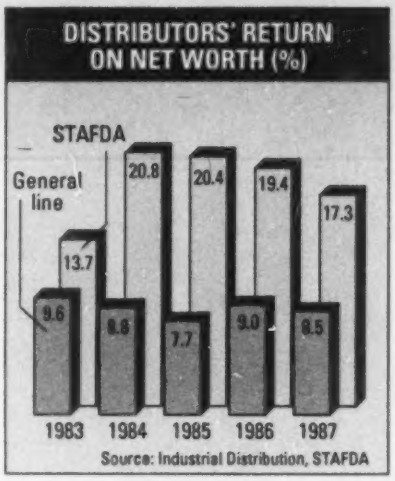
Others agree. William Janner, president of Tucson's Mining and Construction Suppliers, says that STAFDA-type distributors are "generally more profitable" and "faster on the draw." What Janner is suggesting is that specialty tool houses are more adaptable when it comes to servicing the rising tides of different markets.

In fact, STAFDA research shows that its members sell to five major customer categories including commercial and residential construction markets, installers, remodelers and, surprisingly, their largest customer of all, the industrial end user. Says Don Carlson, whose term as STAFDA's president expired at the convention's close, "Our mix of products and customers gives us flexibility that is almost unique among distributors. We can shift gears

More than 600 manufacturers exhibited their products at STAFDA's two-day trade show. It was the association's third such booth program.

depending on what's up and what's down."

While industrial distribution as a general sector is seeing overall sales rise, STAFDA members are apparently enjoying more of a boom than most. According to STAFDA, before-tax return on assets for its members stands at 8.3% compared to 6.1% for electrical suppliers, 4.8% for plumbing suppliers, and 4.1% for industrial supply houses. In addition, while *ID*'s *Survey* indicates that general liners increased sales 4.1% in 1987 and estimates an increase of no more than 6% for 1988, STAFDA distributors enjoyed a 10.3% sales increase in 1987 with 1988 figures likely to finish about 12% ahead.



GETTING CLOSER TO THE CUSTOMER

While increased sales certainly do not ensure higher profits, most STAFDA distributors agree there are at least three important factors contributing to their profitability that are perhaps missing in other forms of distribution. The first of these, says Tony Typanski of Frontier Fastening Systems in Billings, MT, is service. With three vans servicing a quarter-million square mile territory in Wyoming and Montana, the company's general manager states that service is Frontier's greatest strength. "We service what we sell," says Typanski, "and every van is equipped to deal with 99% of all repairs that a pneumatic stapler or nailer could ever need."

Another aspect of repair work is the service contract. Says Frank Williams, a Maryland distributor, "Most customers rarely exercise their contracts." He notes that a $75 one-year service contract on a $600 rotary hammer is often where the real profit is made on a sale. In addition, says Williams, "You'll never hear a complaint on a bill when you fix something right the first time, and have it back to the customer on the date you promised." Asks the distributor rhetorically, "Would you rather spend $30 and not get your car fixed right, or spend $100 to know that you won't break down on the road?"

Three Days in the Sun

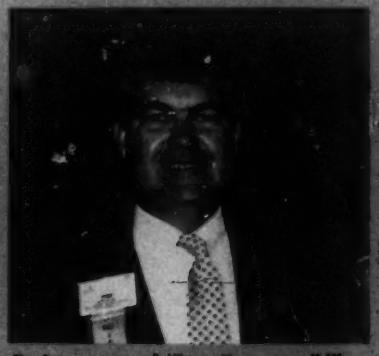
From alligator wrestling to struggling with mergers, STAFDA has redefined success.

Members of the Specialty Tools and Fasteners Distributors Assn. (STAFDA) certainly like to break records, not only their own, but those of other industrial supply houses as well. Consider the facts. Only 12 years ago 250 distributors, manufacturers and their spouses attended STAFDA's first meeting in Miami Beach. In November, 3,630 delegates were in attendance at Miami Beach's Fontainebleau Hilton, including over 600 manufacturers exhibiting product at STAFDA's third trade show.

However, attendance is not the only measure of an association's progress. Says Morrie Halvorsen, "The Miami meeting was our best to date because it was a successful blend of social and business activities. The speakers were very well received, and they addressed particular problems facing STAFDA distributors." Echoing those sentiments was the association's newest president, Jim Mokriski, of Connecticut's Northern Contractors and Industrial Supply. Said Mokriski, "It was, by far, the most exciting meeting I've been to."

But despite the convention's relaxing location and spectacular receptions featuring a 12-piece swing band, lavish food and a bit of alligator wrestling, STAFDA's twelfth annual meeting was very much a working-person's fare. Beginning at 9:30 a.m. on a Sunday morning, for instance, eight stapler and nailing manufacturers discussed their views on business conditions for the year ahead. The prognosis from Spenax Corp.'s David Greene was mostly "optimistic." Although housing starts are not that strong, said Greene, "commercial and DIY markets will continue to grow," as will the cost of steel rod, energy, packaging, and insurance.

Always a popular event on STAFDA's program is the Distributor Rap Session, where individuals from different parts of the country sit at tables of ten to consider a variety of topics. This year's discussions touched on everything from emerging opportunities in rentals to promoting more cash business, finding and hiring good people, how to establish an effective direct mail campaign, and the effects of recent mergers. As a result of some questionable acquisitions among manufacturers, distributors were urged to contact the National Assn. of Wholesaler-Distributors in Washington (of which STAFDA is a member) for the purpose of having the Justice Dept. enforce any antitrust laws that might be violated. Said one distributor, "Our independence is compromised as these mergers continue to go on. We should all vocalize our displeasure."

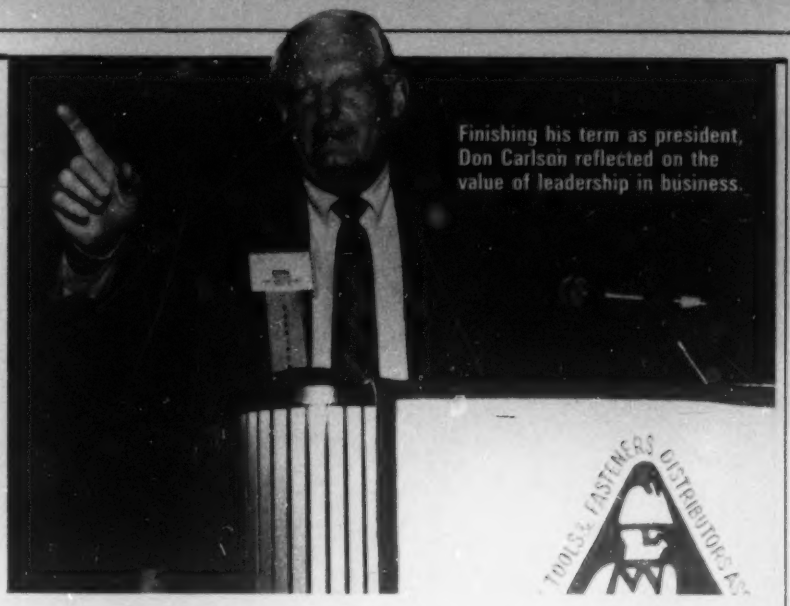


Facing a year of "huge" responsibilities, Jim Mokriski intends to build STAFDA's membership and services.

Other aspects of the Miami gathering met with equal success. Seven educational workshops and a two-day product trade show all contributed to the record crowd—one which was 47% greater than at any previous meeting. Confided Mokriski after the convention, "The challenge now is to put together a show of at least equal quality next year."

Carlson's 5 Future Challenges

In Don Carlson's last formal speech as STAFDA's president, the Omaha distributor imparted his vision of tomorrow's successful distributor. Below is his list of five "critical" areas where industrial distributors must improve their businesses in order to survive.



Finishing his term as president, Don Carlson reflected on the value of leadership in business.

People management. "Since people are the most important resource we manage," says Carlson, "it's imperative that we merge our objectives with incentives that motivate our staff." Noting that older people see change as a threat while younger people see change as opportunity, the 40-year distribution veteran suggests that distributors "turn loose the young talent" in their organizations, and reward people who get things done.

Treat customers better. Observing that "employees tend to treat customers the way they themselves are treated by management," Carlson points out that STAFDA distributors have a leg up on chain stores through customer service. "We have the opportunity to stand out from the crowd, simply because there's so much customer abuse around."

Technology. With the advent of supercomputers which create designs for materials that never previously existed, the next 12 years will see product transformation on a scale never before seen. "Those companies quick to adapt new technology to their business," Carlson says, "will leave their competitors far behind."

Improve efficiency. "Companies in the distribution field are locked in a do-or-die struggle to see who can get product from the manufacturer to the end user the fastest and cheapest," warns Carlson. One way for the traditional distributor to survive, he says, is to change the role of outside salespeople. "He has [got] to be a consultant to the customer, to help him lower total procurement cost rather than focus on lowest price."

Lead by example. Quoting H. Ross Perot, Carlson reminded his audience to lead people but manage things. "The success or failure we have in our careers depends more on us than anything else. There will be times when we're victims of circumstances beyond our control," he said. "But our direct results usually reflect our ability to cope with the changing marketplace, negotiate with our suppliers, satisfy customers, and contend with any form of competition."

The second area of profitability for STAFDA distributors is systems selling. Not in the sense of selling contracts and blanket orders or selling up, but rather in marketing products as complete "packages." For instance, when a general contractor wants to buy a nailer, the STAFDA distributor has the opportunity to sell the nail gun, a compressor, hose, couplings, and, of course, the nails. Says Williams, "A system is not as price sensitive, and a good inside salesperson knows that. That's why our inside people aren't just order-takers, they're experts in the field. Our customers appreciate their understanding of the business."

The third reason for a STAFDA distributor's profitability might also be attributed to the circumstances of the sale itself. While purchasing agents buying MRO are paid to shop around on price, contractors and subcontractors on a job site typically need to have a tool delivered "yesterday." The ability to position a distributorship as a dependable source of expendable products helps to differentiate commodity from specialty distribution.

Which is not to suggest that all is perfectly rosy in the business of selling specialty tools and fasteners. In fact, the competition for sales is quite fierce, because STAFDA distributors must compete against everyone from national chain stores to the local lumber yard. Says Don Carlson to manufacturers, "We must keep the word 'specialty' in our business. If you expect distributors to stock and promote your line, you've got to give them elbow room. When you allow your brand to become a commodity, there's no incentive for STAFDA distributors to promote it. To make a commodity strategy work," adds Carlson, "it is necessary to cut expenses to the bone, operate lower margins and still make money. For most of us," he says modestly, "that's not an easy undertaking." □

STAFDA's Healthy Balance Sheet — 1987

	Average general line distributor	STAFDA distributor
ROI % (return on net worth/pre-tax)	8.5	17.3
Net profit before tax %	3.5	3.2
Gross margin %	25	33.3
Cost of goods sold %	71	67
Total operating expenses %	24.5	30.6
1987 sales	+4.1	+10.3

Sources: STAFDA, Industrial Distribution

SUPPLY OUTLOOK

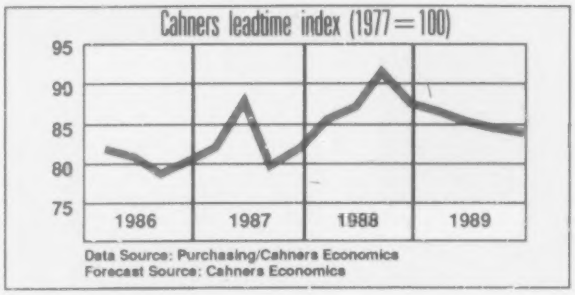
BY KRIS BLEDOWSKI

Capacity utilization levels off

But prices keep rising faster

Capacity utilization rates in electrical machinery, instruments and aerospace have been edging down. It appears that capacities in these sectors have either reached cyclical peaks or will do so shortly. Two forces exert pressure on resource use in the aerospace and miscellaneous transportation categories. On one hand, defense cutbacks should ease production schedules. On the other hand, record-high orders for commercial aircraft will keep capacity utilization rates hovering around 85%.

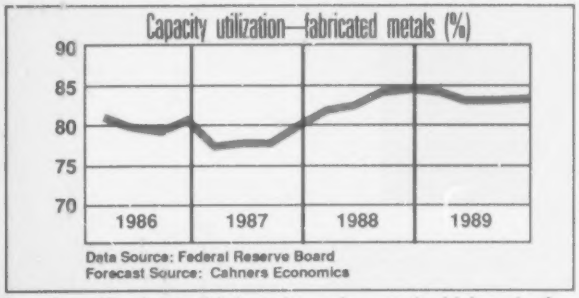
Rates shot up to 84.4% for fabricated metals and 84.0% for nonelectrical machinery in October. Shipments of machine tools are accelerating after orders soared 80% above a year ago. The fluid power industry is having one of its better years.



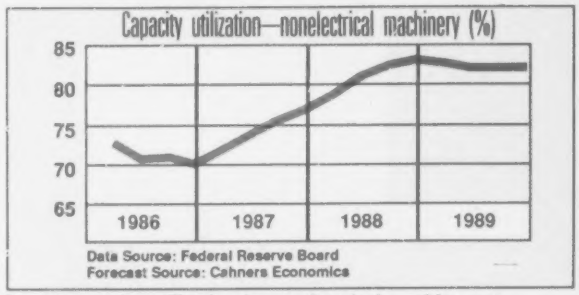
While lower resource utilization points to easier supply conditions, higher prices usually signal excess demand. This year's cost of intermediate goods is roughly twice the level of a year ago, and the outlook for 1990 calls for rising inflation for parts and components. This increase is due as much to costs as it is to demand *vs.* production.

The cost of metal products, such as bearings, is rising the fastest due to higher steel prices. Sheet steel prices are up 17%, stainless steel sheet is 51% more expensive, and aluminum sheet is 40% dearer than a year ago. With this kind of price explosion for ferrous and nonferrous metals, it was only a matter of time before costs were passed on to bearings, valves and other machinery components.

Any good's price is affected by demand and supply. In the language of economists, price usually settles where the supply curve (producers' marginal costs) intersects the demand curve (consumers' marginal value). So even if supply conditions may have eased, strong demand from the OEM sector keeps prices up. □

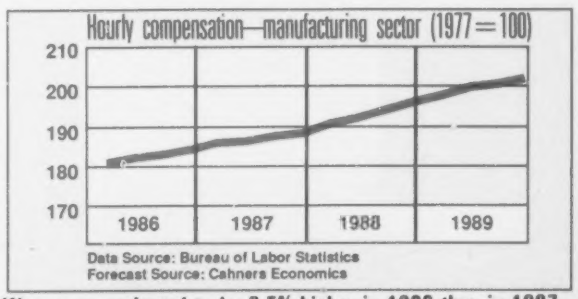


Capacity utilization in fabricated metals was the highest in the fourth quarter of 1988.



Expect capacity utilization in nonelectrical machinery to stabilize in 1989.

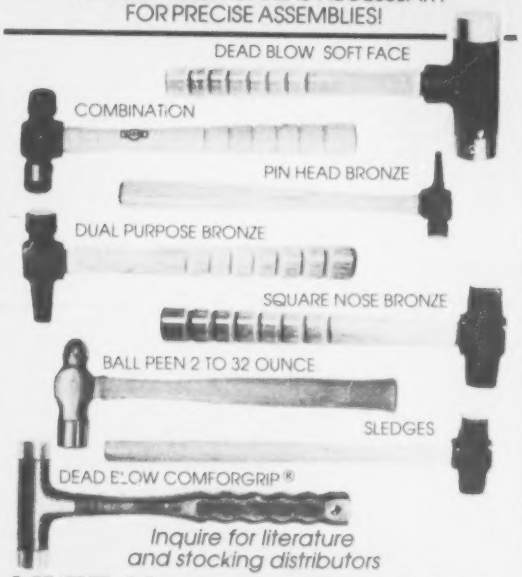
Unit labor costs have been falling through 1988, leading to incremental productivity gains.



Wages are projected to be 3.5% higher in 1988 than in 1987, a rate less than that of inflation.

HAMMERS & MALLETS

FOR USE WHEN CARE IS NECESSSARY
FOR PRECISE ASSEMBLIES!



Inquire for literature and stocking distributors

LIXIE Hammer Division
WILLIAM COLLINS COMPANY
444 Central Street, Central Falls, RI 02863
Tel: (401) 723-LIXI • Fax: 401-728-0703

Circle No. 67

THE PROFITABILITY OF OUR SORBENTS IS BEGINNING TO SOAK IN

There's a fast-growing demand for Sorb-X sorbents, because they're 15 times more absorbent than clay, take ¼ the storage space, and can be washed and re-used. And Sorb-X distributors are finding this surprisingly profitable. For samples and distributor information, call Jim McCourt at Matarah Industries, 800 222-4799 or 414 272-1965.

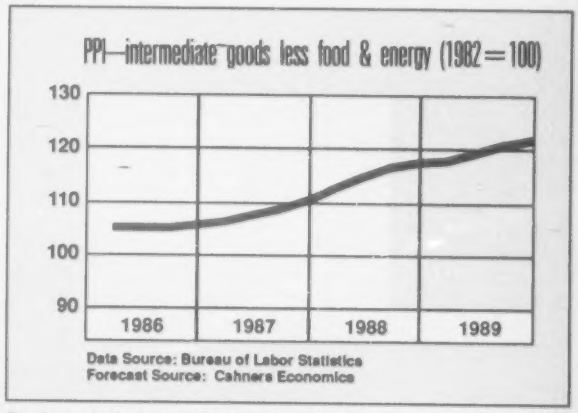
SORBX

Circle No. 68

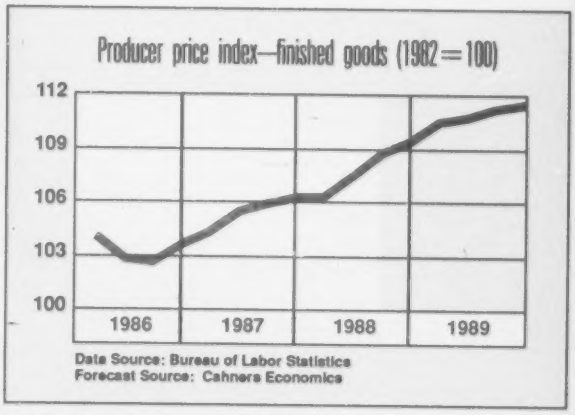
SUPPLY OUTLOOK

Price indexes stabilize

The producer price index for finished goods showed no change, seasonally adjusted, from September to October. This index increased 0.4% in September and 0.6% in August. The index of intermediate goods was unchanged after rising 0.4% in each of the two preceding months, and crude material prices edged down 0.1%, the third drop in the last four months. The stability of the finished goods price index in October reflected small movements in its principal component groupings. In spite of no inflation in October, producer prices will register an annual rate increase of over 2.5% in 1988.



Producer inflation at the intermediate level has accelerated sharply at the end of 1988.



Finished goods prices will rise in 1989 at a rate higher than in 1988.

Industrial Distribution®, (ISSN 0019-8153) is published monthly by The Cahners Publishing Co., A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Ellsworth M. Brown, Jr., Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Co., 44 Cook Street, Denver, CO 80206-5800. Telephone: (303)388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. POSTMASTER: Send address corrections to INDUSTRIAL DISTRIBUTION® at the Denver address. INDUSTRIAL DISTRIBUTION® copyright 1989 by Reed Publishing USA. Saul Goldweitz, Chairman; Ronald G. Segal, President/C.E.O.; Robert L. Krakoff, Executive Vice President; William M. Platt, Senior Vice President. Annual subscription rates for non-qualified individuals: USA, $60 per year; Canada and other countries, $85 per year for surface mail, $175 per year for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10. Please address all subscription mail to Barbara Ruffner, 44 Cook Street, Denver, CO 80206-5800.

REPRINTS: For quotes, contact Reprint Services, 1350 E. Touhy Ave., Des Plaines, IL 60018; (312) 635-8800.